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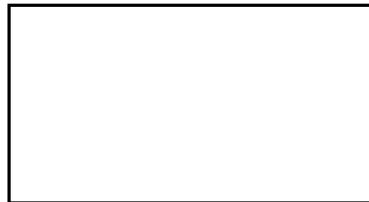
*H. R.*

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 8 February 1978

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**NATIONAL SECURITY INFORMATION**

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National Intelligence Daily Cable for Wednesday, 8 February 1978

The NID Cable is for the purpose of informing senior US officials.

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ALGERIA: Conference Results

25X1 [ ] The communique issued after the summit of Arab hard liners in Algiers from 2 to 4 February contained little new and nothing to suggest that the participants came up with any effective way to challenge President Sadat's peace initiative. Conference spokesman Algerian Foreign Minister Bouteflika implied, however, that secret resolutions were adopted.

25X1 [ ] Bouteflika's remarks suggest that strengthening the Palestine resistance movement and improving relations between Syria and the Palestine Liberation Organization were the major topics of discussion. PLO chief Arafat's glowing comments about Syria at the summit's final session support this interpretation. In what may have been a warning to Jordan not to participate in peace talks, the summit enjoined any Arab government against speaking on behalf of the Palestinians.

25X1 [ ] Iraq's failure to attend the summit--Baghdad wanted a guarantee that the meeting would adopt a rejectionist line--and Libyan President Qadhafi's late arrival seemed to take the edge off the proceedings. The sessions, however, lasted an extra day.

25X1 [ ] A delegation from the countries represented at the summit will soon travel to Baghdad in another effort to iron out differences between Iraq and Syria, according to Bouteflika. We doubt that Damascus will be represented, and Baghdad shows no sign of softening its position. In fact, Iraq's official Baath Party newspaper on 5 February reiterated its demand that Syria adopt a rejectionist stance, denounce UN Security Council resolutions 242 and 338, and establish a military front with Iraq aimed at Israel.

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USSR - INDIAN OCEAN: Arms Control

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[REDACTED] Since the close of the last round of talks in December, several high-ranking Soviet officials have expressed satisfaction with the progress of negotiations. In an interview on 24 December, President Brezhnev pointed to the Indian Ocean talks as an example of successful arms control negotiations. Party Secretary Ponomarev echoed this view during his visit to the US last month, and Ambassador Mendelevich, the head of the Soviet negotiating team, told the Indians last month that he was satisfied with the current state of negotiations and expected an agreement to be signed this spring.

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[REDACTED] Other members of the Soviet team and the Soviet Ministry of Foreign Affairs apparently share Mendelevich's optimism. Foreign Ministry official Gorovoy recently asserted that members of the Soviet delegation also thought an agreement was likely, if not at the current round of talks, then later in the spring.

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[ ] Recent Soviet press commentary has reflected this optimism. An article in the January issue of *USA* noted that the talks had entered a "practical phase" and that the fact that a dialogue had begun at all "is in itself significant and strengthens the prospects for peace and security in the area." *Pravda* observed on 18 January that the talks were "taking place in a positive spirit" and that the interests of both nations would be served by such an agreement. Both *USA* and *Pravda* stressed that the arms race in the Indian Ocean had not yet reached a point of no return.

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[ ] Despite this conciliatory tone, the Soviet press continues to blame the US and its allies for the tensions in the area and to call for a ban on strategic weapons systems, an end to "foreign military bases" like the US facility at Diego Garcia, a freeze on the levels and type of naval forces, and the eventual demilitarization of the Indian Ocean area.

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[ ] The Soviets evidently do not expect to see all of these points incorporated into any follow-on agreement in the near future. The *Pravda* article admitted that the Soviet position is radical and that the current negotiations will probably arrive at something far less comprehensive. Last week a Soviet Foreign Ministry official indicated that Moscow is well aware that total demilitarization of the Indian Ocean is "in practice an impossibility" because the littoral states would have to agree. The spokesman emphasized that, while the USSR does favor a more "radical solution," it is satisfied--for the moment at least--with the US desire for a staged approach.

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[ ] The Soviets probably would not hold up negotiations as long as an agreement included some assurance that strategic systems would not be deployed, as well as a commitment to future force reductions, explicit descriptions of force levels, and a definition of facilities that would distinguish between Diego Garcia and Soviet facilities.

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[ ] The Soviets in fact appear ready to begin drafting an agreement at this session of the talks. According to Gorovoy, the Soviet delegation is divided over what form the first draft agreement should take. Some think only issues agreed upon in previous rounds should be included, while others believe agreement can be reached on other points and that more

contentious issues can be left in brackets. A third group believes an agreed text can be completed during the current talks. Gorovoy thought the second group was the more realistic, and implied that it constituted a majority of the delegation.

25X1 [ ] //Although the Soviets are approaching the fourth round of talks with certain expectations, they are probably somewhat apprehensive that increased US sensitivity to their role in the Horn of Africa and the accompanying growth in the Soviet naval presence in the Red Sea could complicate negotiations. Indeed, the present Soviet press line may be partly intended to lay the groundwork for a propaganda campaign blaming the US should negotiations come to a halt.// [ ]

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#### USSR - EASTERN EUROPE: Oil

25X1 [ ] *Despite its own energy problems, the USSR will honor its commitments this year to supply Eastern Europe with the volume of oil established in the current Five Year Plan (1976-80). This is important to the East Europeans, who depend on Moscow for over 75 percent of their oil consumption.*

25X1 [ ]  
25X1 [ ] total oil deliveries to Eastern Europe will reach 1.4 million barrels per day in 1978, up slightly from 1.37 million barrels per day in 1976. Despite the small size of the increase, deliveries will meet the oil commitments for 1978 in the Five Year Plan. We estimate that Soviet commitments will reach 1.56 million barrels per day by 1980.

25X1 [ ] Most deliveries will be purchased with rubles at the CEMA price of 59.7 rubles per ton (\$11.50 a barrel), a 21 percent increase over last year. The remainder will be bought at world prices, either with hard currency or with "hard" goods--those saleable on Western markets. We do not have a breakdown of total hard currency purchases of Soviet oil for all the East European countries, but for Hungary oil in this category will amount to about 20,000 barrels per day, out of the total Soviet shipments of 184,000 barrels per day in 1978.

25X1 [ ] The original Soviet oil pledge to Hungary for 1976-80 was 300 million barrels on the ruble account. Supplementary



agreements at world prices have raised this level to an estimated 335 million barrels. The Hungarians are required to pay for the additional 35 million barrels in "hard" goods such as grain and meat. [REDACTED]

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CHINA: Saifudin's Reappearance

[REDACTED] *The reappearance in Peking yesterday of Politburo alternate member Saifudin--after his reported purge last month--is another sign of divisions in the leadership over how to treat leaders that party Vice Chairman Teng Hsiao-ping wants to remove for having opposed him in the past.*

[REDACTED] Saifudin was quick to join in the "gang of four's" attacks on Teng Hsiao-ping in 1976, and it is likely that Teng has been spearheading an effort to unseat him. This effort seems aimed at a number of national and provincial officials who turned against Teng in 1976, but the most likely targets continue to make regular public appearances and are undoubtedly heartened by Saifudin's reappearance.

[REDACTED] A powerful group appears to be opposing Teng's moves with some success. It is possible that those in the leadership who are targets of Teng's wrath have been joined by others who fear that his vindictiveness could lead to major domestic upheavals. [REDACTED]

NEPAL-CHINA-INDIA: Relations

*Nepal's enthusiastic reception of Chinese Vice Premier Teng Hsiao-ping during his visit from 2 to 6 February reflects the desire to demonstrate the success of Nepal's balanced relationship with China and India.*

As a small, landlocked buffer state, Nepal continually seeks signs of Chinese interest to offset its heavy economic dependence on India. Nepal is said to have asked Teng--the highest ranking Chinese official to go to Nepal in three years--to visit Kathmandu in conjunction with his trip to Burma.

The Nepalese gave Teng protocol-breaking attention by their king and queen. The Chinese promised to build three factories, but Teng showed little interest in Nepal's proposals for exploiting Himalayan water resources and opening Tibet to tourists.

Last December, Indian Prime Minister Morarji Desai visited Nepal and reaffirmed his government's desire to alleviate irritants that had developed in Indo-Nepalese relations during the decade of Indira Gandhi's rule. The Indians have long criticized Nepal's tightly controlled governmental system, but New Delhi has given assurances that it will not allow its territory to be used as a base for hostile activities against the monarchy.

Nepal probably hopes Teng's visit, though short on substance, will strengthen Nepal's hand in the final negotiations with India for new trade and transit agreements and in joint efforts to curb cross-border smuggling. India has already met Nepal's longstanding request for two separate agreements, but is resisting some of Nepal's demands for better freight facilities at Indian ports and improved arrangements for transiting goods through India.

The Nepalese were presumably pleased when Teng reiterated China's support for King Birendra's proposal that Nepal be declared a zone of peace. New Delhi opposes the concept and wants to retain all its options when dealing with its strategically important northern border. Despite this abrasion, Indo-Nepalese relations are improving and the outlook for greater economic cooperation is good.

BRIEFS

Sweden

25X1 [ ] Sweden's three ruling parties last Thursday reached another compromise on the nuclear power issue that has repeatedly threatened to split the coalition since it took office almost a year and a half ago.

25X1 [ ] The parties agreed to expand Sweden's program of non-nuclear research and development and to continue to develop its eleventh nuclear reactor. Prime Minister Falldin had opposed enlarging the reactor effort, preferring to put new energy funds into non-nuclear research.

25X1 [ ] The nuclear program will now continue until fall with money already appropriated but will not get new funds. This formula postpones a final decision on the nuclear program until nearer the parliamentary election scheduled for September 1979.

25X1 [ ]  
East Germany

25X1 [ ] East German Premier Willi Stoph has not been on hand during the first two days of the current visit of Angolan Prime Minister Lopo do Nascimento, and apparently has not been seen in public for more than three weeks. Stoph normally does not miss such occasions because of protocol and East Germany's proclivity to stress visits from "progressive" Third World nations.

25X1 [ ] On 27 January, the West German weekly newspaper *Die Zeit* reported that Stoph had been in Moscow "at the beginning of the week." He missed a reception on 23 January for British Communist Party leader Gordon McLennon, which more than half the Politburo attended.

25X1 [ ] In light of recent speculation in West Germany about rivalry between Stoph and party and state leader Honecker, Stoph's absence is likely to spur rumors that he is in disfavor. This could be, but it is also possible that he is ill, perhaps a victim of the current flu epidemic in East Germany.

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